



Consumer Financial
Protection Bureau

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CFPB Warns Colleges About Secret Campus Credit Card Contracts

Bureau Also Releases Safe Student Account Toolkit to Help Colleges Avoid Promoting Prepaid and Debit Products with Surprise Fees

WASHINGTON, D.C. — Today, the Consumer Financial Protection Bureau (CFPB) sent warning letters to 17 colleges directing them to improve disclosure of school-sponsored credit card agreements. A Bureau investigation found that these schools failed to make marketing agreements available to the public, as required by law. The CFPB is also releasing its annual report on college credit card agreements, which highlights trends in the marketing partnerships between colleges and financial institutions and concerns about transparency with college-sponsored financial accounts. To promote increased protections for students in the expanding school-sponsored debit and prepaid market, the CFPB is releasing a Safe Student Account Toolkit to help colleges and universities avoid promoting financial accounts with surprise fees.

“History tells us that when schools and financial institutions get together behind closed doors, students can pay a steep price,” said CFPB Director Richard Cordray. “The Bureau will continue to promote and enforce transparency across this market and stands ready to see that schools do the right thing on behalf of their students.”

More than 10 million college students attend a school that has made a deal with a financial institution where the college helps with or allows the promotion of debit or prepaid cards. These products are often endorsed with a college logo or linked to a student identification card. Many more students also attend schools with agreements to

co-sponsor credit card accounts. Colleges may get a share of the revenue generated from the cards, and these agreements can offer financial institutions access to a new group of consumers.

Federal banking regulators and the Department of Education have expressed concern over the marketing practices and consumer risk associated with college-sponsored financial products. Research shows that many of these accounts contain high or unusual fees, which can be a worse deal for students than what they can find shopping around on their own. Today's actions by the Bureau address risks to student consumers with college-sponsored credit cards, checking, or prepaid accounts.

Campus Credit Card Agreements

A lack of transparency in the student credit card markets led Congress to enact reforms to help the public better understand the marketing partnerships between colleges and lenders. In 2009, Congress passed the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act, which requires issuers to disclose to the CFPB the terms and conditions of any college credit card agreement, the number of new credit card accounts, and the compensation paid by issuers to institutions of higher education in the previous year. The CFPB is required to submit an annual report to Congress about these agreements, and to make the report publicly available.

In order for students and the public to have access to credit card marketing agreements currently in effect, the CARD Act requires that colleges and universities publicly disclose these agreements. Schools may post agreements publicly on their websites, or make the agreements available upon request by a member of the public. In researching this report, the CFPB reviewed a sample of 25 of the largest colleges with active credit card partnership agreements to assess compliance with these requirements. Among the issues the CFPB identified:

- **Four out of five colleges did not disclose their credit card marketing contracts on their website:** Of the 25 colleges in the CFPB's sample, 20 did not disclose their contracts on their website. Only seven of these 20 schools published information for the public on how to obtain the agreements—but only two of these schools ultimately provided the agreements upon request.

- **More than two-thirds of the schools did not provide access to agreements upon request:** Of the 20 colleges that did not post agreements on their website, only three provided agreements upon request as required by law. In addition, the Bureau found that most of the schools that published specific instructions for requesting agreements failed to provide access to agreements, even when borrowers followed these instructions.

As a result, today the CFPB is sending letters to those schools that did not provide access to the marketing agreements, as required by law. The Bureau will also continue to highlight the importance for students and the public to be able to easily review agreements so they can understand to what extent schools are being compensated by card issuers to use a specific account or card product.

A copy of the letter sent to these schools can be found

here:http://files.consumerfinance.gov/f/201512_cfpb_card-act_warning-letter.pdf

Additional findings from the report include:

- **College credit card agreements continue to decline:** In recent years, there has been a steady decrease in both the number of college credit card agreements and open accounts. In 2009, some 1,045 agreements were in effect. Since the CARD Act went into effect, however, the number of agreements has decreased by nearly 70 percent, to the point that only 272 agreements were in effect by the end of 2014. Furthermore, credit card issuers paid over \$84 million to colleges and universities in royalties and bonuses for agreements in 2009. That amount dropped to approximately \$34 million in 2014.
- **College debit and prepaid card agreements are more common than credit card agreements:** According to a report from the Government Accountability Office, there were at least 852 schools that had agreements with companies to market debit or prepaid cards to students in 2013. Unlike credit cards, historically, these products have not had specific federal requirements to disclose their marketing partnerships. The CFPB has previously identified agreements where financial institutions offer royalty payments for use of college trademarks or bonuses based on the number of student account sign-ups.

The college credit card agreements report is available at:

http://www.consumerfinance.gov/f/201512_cfpb_college-credit-card-agreements.pdf

Safe Student Account Toolkit

Forty percent of college students attend a school that has made a deal with a financial institution where the college helps with or allows the promotion of debit or prepaid cards. These agreements, historically, have had fewer disclosure requirements and other consumer protections than agreements related to college-sponsored credit cards. Recognizing the market shift from college-sponsored credit cards toward deposit and prepaid arrangements, earlier this year, the Bureau sought feedback from the public on ways to help colleges enter into agreements to provide safer and more affordable accounts to students. The Bureau also warned consumers about risks associated with these products.

Today the Bureau is publishing a Safe Student Account Toolkit to help colleges evaluate whether to co-sponsor a prepaid or checking account with a financial institution. Colleges can choose to use the Safe Student Account Toolkit to evaluate costs and benefits for students, including accessing upfront information about fees, features, and sales tactics before agreeing to a sponsorship.

Many colleges enter into agreements with financial institutions using a transparent, competitive bidding process to establish their relationships with financial institutions. However, colleges may find it challenging to compare proposals because they lack clear information on the benefits or drawbacks of specific account features and fees.

In October, the Department of Education established new requirements for colleges that partner with vendors to distribute student aid and sponsor or directly market accounts to their student aid recipients. These rules also put in place a series of feature, marketing, and transparency requirements for a broader range of school-sponsored accounts. Today's toolkit highlights several of these new account requirements that can serve as a baseline for colleges seeking to identify safer and more affordable accounts for their students.

The Safe Student Account Toolkit is available at:

http://files.consumerfinance.gov/f/201512_cfpb_safe-student-account-toolkit.pdf

Students can learn more about their campus banking options using the CFPB's Paying for College tool.

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